

**KALKASKA COUNTY**  
**REPORT ON FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>KALKASKA COUNTY</b>	County <b>KALKASKA</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>5/6/05</b>	Date Accountant Report Submitted to State: <b>8/5/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

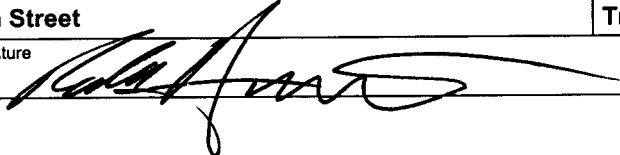
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Harris Group, Certified Public Accountants</b>			
Street Address <b>1107 E. 8th Street</b>	City <b>Traverse City</b>	State <b>MI</b>	ZIP <b>49686</b>
Accountant Signature 		Date <b>8/5/05</b>	

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**FINANCIAL SECTION**



Certified Public Accountants

### Independent Auditor's Report

Honorable Chairman and Members  
of the Board of Commissioners  
Kalkaska County  
Kalkaska, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kalkaska County, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of Kalkaska County, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors, provides a reasonable basis for our opinion.

The financial statements referred to above include only the primary government of Kalkaska County, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Kalkaska County, as of December 31, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of Kalkaska County, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2005 on our consideration of Kalkaska County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Kalkaska County  
Independent Auditor's Report

The managements discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kalkaska County's, basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Harris Group*

Certified Public Accountants  
May 6, 2005

**Kalkaska County**  
**Management's Discussion and Analysis**  
**December 31, 2004**

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This section of Kalkaska County's annual financial report presents its discussion and analysis of the government's financial performance during the year ending December 31, 2004 and 2003.

**Financial Highlights**

The assets of Kalkaska County exceed its liabilities at the close of fiscal year 2004, by \$8,520,629. Of this amount \$4,008,236 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- At December 31, 2004, the County's governmental funds reported combined ending fund balances of \$5,783,405.
- At December 31, 2004, unreserved fund balance for the General Fund was \$18,996 or .32% of General Fund expenditures.
- Governmental fund revenues were \$9,550,194.
- Total long-term debt in the Governmental Activities was \$-0- at December 31, 2004.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County financial statements. The County basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in *net assets* may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods (e.g. accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, and recreation and culture. The business-type activities of the County include delinquent property tax collection and Sportsplex.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate Road Commission unit for which the County is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10-11 of this report.

**Kalkaska County**  
**Management's Discussion and Analysis**  
**December 31, 2004**

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**FUND FINANCIAL STATEMENTS.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**GOVERNMENTAL FUNDS.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general fund, considered to be the major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the County's major fund.

The basic governmental fund financial statements can be found on page 12-14 of this report.

**PROPRIETARY FUNDS.** The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its delinquent taxes and the sportsplex.

The basic proprietary fund financial statements can be found on pages 16-19 of this report.

**FIDUCIARY FUNDS.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 20 of this report.

**NOTES TO THE FINANCIAL STATEMENT.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-39 of this report.

**Kalkaska County**  
**Management's Discussion and Analysis**  
**December 31, 2004**

**OTHER INFORMATION.** The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statement. Combining statements and schedules can be found on pages 43-54 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Kalkaska County, assets exceeded liabilities by \$8,520,629 as of December 31, 2004, compared with \$7,847,136 for the year ended December 31, 2003. A large portion of the County's net assets reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's net assets increased by \$673,493 during the year.

**KALKASKA COUNTY**  
**NET ASSETS**  
**DECEMBER 31, 2004 AND 2003**

	2004			2003		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 8,151,918	\$ 3,306,580	\$ 11,458,498	\$ 5,758,605	\$ 3,166,240	\$ 8,924,845
Capital assets	3,875,928	5,953,945	9,829,873	4,112,238	6,115,898	10,228,136
Total assets	<u>\$ 12,027,846</u>	<u>\$ 9,260,525</u>	<u>\$ 21,288,371</u>	<u>\$ 9,870,843</u>	<u>\$ 9,282,138</u>	<u>\$ 19,152,981</u>
Long-term liabilities outstanding	\$ 119,207	\$ 5,450,000	\$ 5,569,207	\$ 111,004	\$ 5,600,000	\$ 5,711,004
Other liabilities	6,125,234	1,073,301	7,198,535	4,912,184	682,657	5,594,841
Total liabilities	<u>6,244,441</u>	<u>6,523,301</u>	<u>12,767,742</u>	<u>5,023,188</u>	<u>6,282,657</u>	<u>11,305,845</u>
Net assets:						
Invested in capital assets, net of related debt	3,875,928	353,945	4,229,873	4,112,238	415,898	4,528,136
Restricted	282,520		282,520	401,937	43,345	445,282
Unrestricted	1,624,957	2,383,279	4,008,236	333,480	2,540,238	2,873,718
Total net assets	<u>5,783,405</u>	<u>2,737,224</u>	<u>8,520,629</u>	<u>4,847,655</u>	<u>2,999,481</u>	<u>7,847,136</u>
Total liabilities and net assets	<u>\$ 12,027,846</u>	<u>\$ 9,260,525</u>	<u>\$ 21,288,371</u>	<u>\$ 9,870,843</u>	<u>\$ 9,282,138</u>	<u>\$ 19,152,981</u>

**Kalkaska County  
Management's Discussion and Analysis  
December 31, 2004**

**KALKASKA COUNTY  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004			2003		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 2,413,674	\$ 758,486	\$ 3,172,160	\$ 2,196,947	\$ 750,689	\$ 2,947,636
Operating grants and contributions	1,829,608		1,829,608	2,116,498		2,116,498
Capital grants and contributions	49,018		49,018	60,979		60,979
General revenues:						
Property taxes	4,565,050	398,399	4,963,449	3,314,655	409,019	3,723,674
Other	673,210	75,954	749,164	640,438	68,277	708,715
Total revenues	9,530,560	1,232,839	10,763,399	8,329,514	1,227,985	9,557,499
Expenses:						
Governmental activities:						
Legislative	177,308		177,308	766,259		766,259
Judicial	1,221,454		1,221,454	1,145,108		1,145,108
General government	1,905,766		1,905,766	1,625,553		1,625,553
Public safety	3,457,977		3,457,977	3,581,737		3,581,737
Health and welfare	1,405,962		1,405,962	1,726,908		1,726,908
Recreation and culture	626,712	979,426	1,606,138	312,351	955,621	1,267,972
Other	235,009		235,009	117,084		117,084
Delinquent property tax		80,292	80,292		64,920	64,920
Total expenses	9,030,188	1,059,718	10,089,906	9,275,000	1,020,541	10,295,541
Increase in net assets before transfers	500,372	173,121	673,493	(945,486)	207,444	(738,042)
Transfers in (out)	435,378	(435,378)		657,200	(657,200)	
Increase (decrease) in net assets	935,750	(262,257)	673,493	(288,286)	(449,756)	(738,042)
Net assets, beginning	4,847,655	2,999,481	7,847,136	5,135,941	3,449,237	8,585,178
Net assets, ending	\$ 5,783,405	\$ 2,737,224	\$ 8,520,629	\$ 4,847,655	\$ 2,999,481	\$ 7,847,136

The primary reason for the increase in net assets was the change in the way the State of Michigan will pay its portion of Revenue Sharing. The County recorded \$1,122,838 of property tax revenue that will be levied in the summer of 2005. The County will shift its tax collection to the summer from the winter over the next two (2) years. This shift created an increase in net assets of \$997,167.

Personnel expenses represent approximately 85% of the expenditures. Costs for health insurance increased 19% and the required contribution to the retirement system increased by 2.5%.

**Kalkaska County  
Management's Discussion and Analysis  
December 31, 2004**

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**Financial Analysis of the Government's Funds**

As noted earlier, Kalkaska County uses fund accounting to insure and demonstrate compliance with finance-related requirements.

**Government funds.** The focus of Kalkaska County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Kalkaska County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2004, Kalkaska County's governmental funds reported combined ending balances of \$2,026,684. Approximately 86% of this total constitutes unreserved fund balance, which is available for spending at Kalkaska County's discretion. The remainder of the fund balance is reserved for specific commitments.

The general fund is the chief operating fund of Kalkaska County. As of December 31, 2004, unreserved fund balance of the general fund was \$18,996.

The fund balance of Kalkaska County's general fund increased by \$179,994 during the current fiscal year. Key factors in this growth are as follows: A fund transfer to pay additional attorney fees posted as a liability in 2005.

**Proprietary funds.** Kalkaska County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at December 31, 2004 were \$2,737,224. With a majority of the net assets in the Tax Payment Fund of \$2,691,540.

**General Fund Budgetary Highlights**

Significant differences between the original budget and the final amended budget of the major funds can be briefly summarized as follows:

**Revenue:**

Federal Incentive Payments was increased by	\$33,000
Survey & Remonumentation was increased by	\$12,500
Sheriff Prisoner Board (Kalkaska County) was increased by	\$16,325
Sheriff Prisoner Board (Other Counties) was increased by	\$19,000
Sale of land was increased by	\$100,000
Transfer in from Other Funds was increased by	\$262,000

**Expense:**

Attorney fees was increased by	\$78,000
Trial Court was increased by	\$61,900
Election Cost was increased by	\$41,000
Survey & Remonumentation Cost was increased by	\$22,300
Jail Expenses was increased by	\$64,000
Transfer Out to Other Funds was increased by	\$171,500

**Kalkaska County**  
**Management's Discussion and Analysis**  
**December 31, 2004**

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**Capital Asset and Debt Administration**

**Capital assets.** Kalkaska County's investment in capital assets for its governmental and business type activities as of December 31, 2004, amount to \$9,829,873 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, vehicles, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- |    |                    |          |
|----|--------------------|----------|
| 1. | Four vehicles      | \$67,477 |
| 2. | Computer equipment | \$23,323 |
| 3. | Paving parking lot | \$20,497 |

**KALKASKA COUNTY**  
**CAPITAL ASSETS (net of accumulated depreciation)**  
**DECEMBER 31, 2004**

	Governmental Activities	Business-type Activities	Total
Land	\$ 281,327	\$	\$ 281,327
Buildings	2,824,189	5,913,533	8,737,722
Land Improvements	85,871		85,871
Machinery and equipment	684,541	40,412	724,953
	<u>\$ 3,875,928</u>	<u>\$ 5,953,945</u>	<u>\$ 9,829,873</u>

**Long-term debt.** At December 31, 2004, Kalkaska County had total bonded debt outstanding of \$5,600,000.

**KALKASKA COUNTY**  
**OUTSTANDING DEBT**  
**DECEMBER 31, 2004**

	Governmental Activities	Business-type Activities	Total
General obligation	<u>\$ -</u>	<u>\$ 5,600,000</u>	<u>\$ 5,600,000</u>

Kalkaska County's total debt decreased by \$100,000 during the year ended December 31, 2004.

**Kalkaska County  
Management's Discussion and Analysis  
December 31, 2004**

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**Economic Factors and Next Years Budgets and Rates**

- Taxable value of property taxes increased in 2004 and this growth is expected to continue.
- The cost of health insurance continues to be a growing concern; estimates are that increases in the fiscal year will be approximately 15%.
- The County anticipates the slow economic growth to continue into 2005.

All of these factors were considered in preparing Kalkaska County's budget for the 2005 fiscal year.

**Request for Information**

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be referred to the Kalkaska County Controller, 605 N Birch Street, Kalkaska, MI 49646.

**KALKASKA COUNTY**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2004**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 1,471,462	\$ 1,398,747	\$ 2,870,209
Receivables:			
Taxes	4,701,150	1,267,791	5,968,941
Accounts	857,791	22,168	879,959
Interest	1,048	-	1,048
Due from State	191,094	-	191,094
Due from other government units	150,181	-	150,181
Due from other funds	616,822	601,142	1,217,964
Inventories	-	1,814	1,814
Prepaid expenses	162,370	14,918	177,288
Capital assets ( net of accumulated depreciation)			
Land	281,327	-	281,327
Other capital assets	3,594,601	5,953,945	9,548,546
<b>TOTAL ASSETS</b>	<b>\$ 12,027,846</b>	<b>\$ 9,260,525</b>	<b>\$ 21,288,371</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 243,140	\$ 36,137	\$ 279,277
Checks written in excess of deposits	177,792	-	177,792
Current portion of bonds and interest payable	-	213,919	213,919
Accrued liabilities	52,473	6,947	59,420
Accrued sick and vacation payable	119,207	-	119,207
Due to other governmental units	42,000	-	42,000
Due to other funds	848,642	369,322	1,217,964
Deferred revenues	4,347,187	446,976	4,794,163
Other liabilities	414,000	-	414,000
Bonds payable	-	5,450,000	5,450,000
<b>TOTAL LIABILITIES</b>	<b>6,244,441</b>	<b>6,523,301</b>	<b>12,767,742</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	3,875,928	353,945	4,229,873
Fund balances:			
Reserved	282,520	-	282,520
Unreserved	1,624,957	2,383,279	4,008,236
<b>TOTAL FUND EQUITY</b>	<b>5,783,405</b>	<b>2,737,224</b>	<b>8,520,629</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 12,027,846</b>	<b>\$ 9,260,525</b>	<b>\$ 21,288,371</b>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
Legislative	\$ 177,308	\$ -	\$ -	\$ -
Judicial	1,221,454	535,060	582,404	-
General Government	1,905,766	425,710	106,512	-
Public Safety	3,457,977	930,517	510,601	47,018
Health and Welfare	1,405,962	363,655	611,449	2,000
Recreation and culture	626,712	158,732	18,642	-
Other	235,009	-	-	-
Interest on long term debt	-	-	-	-
<b>Total governmental activities</b>	<b>9,030,188</b>	<b>2,413,674</b>	<b>1,829,608</b>	<b>49,018</b>
Business-type activities:				
Tax payment	80,292	380,079	-	-
Sportsplex	979,426	378,407	-	-
<b>Total business-type activities</b>	<b>1,059,718</b>	<b>758,486</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 10,089,906</b>	<b>\$ 3,172,160</b>	<b>\$ 1,829,608</b>	<b>\$ 49,018</b>

General Revenues:  
Property Taxes  
State Shared Revenue  
Unrestricted investment earnings  
Rents  
Miscellaneous revenues  
Loss on disposal of fixed assets  
Transfers

Total general revenues and transfers

Change in net assets

Net assets – beginning

Net assets – ending

The accompanying notes are an integral part of these statements.

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (177,308)	\$ -	\$ (177,308)
(103,990)	-	(103,990)
(1,373,544)	-	(1,373,544)
(1,969,841)	-	(1,969,841)
(428,858)	-	(428,858)
(449,338)	-	(449,338)
(235,009)	-	(235,009)
-	-	-
(4,737,888)	-	(4,737,888)
-	299,787	299,787
-	(601,019)	(601,019)
-	(301,232)	(301,232)
<u>\$ (4,737,888)</u>	<u>\$ (301,232)</u>	<u>\$ (5,039,120)</u>
4,565,050	398,399	4,963,449
329,448	-	329,448
83,296	56,586	139,882
158,090	-	158,090
99,580	19,368	118,948
2,796	-	2,796
435,378	(435,378)	-
<u>5,673,638</u>	<u>38,975</u>	<u>5,712,613</u>
935,750	(262,257)	673,493
<u>4,847,655</u>	<u>2,999,481</u>	<u>7,847,136</u>
<u>\$ 5,783,405</u>	<u>\$ 2,737,224</u>	<u>\$ 8,520,629</u>

## ASSETS

## LIABILITIES & FUND EQUITY

## TOTAL LIABILITIES

## TOTAL FUND EOUTY

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**KALKASKA COUNTY**  
**RECONCILIATION OF TOTAL GOVERNMENT FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2004**

*Amounts reported for governmental activities in the statement of net assets are different because:*

Total Governmental Fund Balances	\$ 2,026,684
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets	9,248,109
Accumulated depreciation	(5,372,181)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Compensated absences payable	<u>(119,207)</u>
Net Assets of Governmental Activities	<u>\$ 5,783,405</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes	\$ 3,301,454	\$ -	\$ 1,122,838	\$ 140,758	\$ 4,565,050
Licenses and permits	64,030	-	-	330,371	394,401
Federal grants	259,264	11,791	-	152,685	423,740
State grants	878,123	-	-	689,366	1,567,489
Other governmental revenue	-	-	-	172,984	172,984
Charges for services	1,037,706	-	-	509,107	1,546,813
Fines and forfeits	4,930	-	-	179,487	184,417
Interest earned	75,119	400	-	7,777	83,296
Rents received	108,361	-	-	49,729	158,090
Other	139,634	111,103	-	203,177	453,914
<b>TOTAL REVENUES</b>	<b>5,868,621</b>	<b>123,294</b>	<b>1,122,838</b>	<b>2,435,441</b>	<b>9,550,194</b>
<b>EXPENDITURES:</b>					
Current:					
Legislative	177,308	-	-	-	177,308
Judicial	1,160,307	-	-	26,865	1,187,172
General government	1,585,757	-	-	116,849	1,702,606
Public safety	2,387,002	-	-	1,030,467	3,417,469
Health and welfare	94,961	152,953	-	1,185,260	1,433,174
Recreation & cultural	351,542	-	-	275,436	626,978
Other	134,931	-	125,671	-	260,602
<b>TOTAL EXPENDITURES</b>	<b>5,891,808</b>	<b>152,953</b>	<b>125,671</b>	<b>2,634,877</b>	<b>8,805,309</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(23,187)</b>	<b>(29,659)</b>	<b>997,167</b>	<b>(199,436)</b>	<b>744,885</b>

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES):					
Operating transfers in	697,566	-	-	305,885	1,003,451
Operating transfers (out)	(494,385)	-	-	(73,688)	(568,073)
TOTAL OTHER FINANCING SOURCES (USES)	203,181	-	-	232,197	435,378
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	179,994	(29,659)	997,167	32,761	1,180,263
FUND BALANCE, beginning	(160,998)	36,585	-	970,834	846,421
FUND BALANCE, ending	\$ 18,996	\$ 6,926	\$ 997,167	\$ 1,003,595	\$ 2,026,684

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

*Amounts reported for governmental activities in the statement of net assets are different because:*

Net change in fund balance – total governmental funds	\$ 1,180,263
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay recorded as a capital expense	176,176
Depreciation recorded as an expense	(392,852)
Adjusting revenue for basis of capital assets sold	(19,634)
In the Statement of Activities, certain vacation and sick time benefits are measured by amounts earned during the year. In the Governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The current year adjustment included in the statement of activities is:	(8,203)
Change in net assets of governmental activities	<u>\$ 935,750</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2004**

		<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
	<b>ASSETS</b>			
Cash		\$ 1,252,205	\$ 146,542	\$ 1,398,747
Receivables:				
Taxes		865,637	402,154	1,267,791
Accounts		-	22,168	22,168
Due from other funds		601,142	-	601,142
Inventories		-	1,814	1,814
Prepaid expenses		-	14,918	14,918
Buildings & improvements		-	6,609,692	6,609,692
Machinery & equipment		-	191,225	191,225
Accumulated depreciation		-	(846,972)	(846,972)
		<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>		<u><u>\$ 2,718,984</u></u>	<u><u>\$ 6,541,541</u></u>	<u><u>\$ 9,260,525</u></u>
	<b>LIABILITIES &amp; FUND EQUITY</b>			
Liabilities:				
Accounts payable		\$ 4,025	\$ 32,112	\$ 36,137
Accrued expenses		2,888	4,059	6,947
Accrued interest payable		-	63,919	63,919
Due to other funds		-	369,322	369,322
Bonds payable		-	5,600,000	5,600,000
Deferred revenue		20,531	426,445	446,976
		<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>		<u>27,444</u>	<u>6,495,857</u>	<u>6,523,301</u>
Fund Equity:				
Investment in capital assets, net of related debt		-	353,945	353,945
Retained earnings:				
Unreserved		2,691,540	(308,261)	2,383,279
		<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND EQUITY</b>		<u>2,691,540</u>	<u>45,684</u>	<u>2,737,224</u>
		<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>		<u><u>\$ 2,718,984</u></u>	<u><u>\$ 6,541,541</u></u>	<u><u>\$ 9,260,525</u></u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
OPERATING REVENUES:			
Charges for services	\$ 175,573	\$ 378,407	\$ 553,980
Interest and penalties on taxes	<u>204,506</u>	<u>-</u>	<u>204,506</u>
 TOTAL OPERATING REVENUES	 <u>380,079</u>	 <u>378,407</u>	 <u>758,486</u>
OPERATING EXPENSES:			
Salary expense	-	196,126	196,126
Fringe benefit expense	-	32,200	32,200
Other	48,858	329,703	378,561
Depreciation	<u>-</u>	<u>163,922</u>	<u>163,922</u>
 TOTAL OPERATING EXPENSES	 <u>48,858</u>	 <u>721,951</u>	 <u>770,809</u>
 OPERATING INCOME (LOSS)	 <u>331,221</u>	 <u>(343,544)</u>	 <u>(12,323)</u>
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	398,399	398,399
Interest income	56,507	79	56,586
Interest expense	(31,434)	(257,475)	(288,909)
Other	<u>19,368</u>	<u>-</u>	<u>19,368</u>
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 <u>44,441</u>	 <u>141,003</u>	 <u>185,444</u>
TRANSFERS			
Transfers from other funds	282,419	188,500	470,919
Transfers to other funds	<u>(906,297)</u>	<u>-</u>	<u>(906,297)</u>
 TOTAL TRANSFERS	 <u>(623,878)</u>	 <u>188,500</u>	 <u>(435,378)</u>
 NET INCOME (LOSS)	 <u>(248,216)</u>	 <u>(14,041)</u>	 <u>(262,257)</u>
 RETAINED EARNINGS, beginning	 <u>2,939,756</u>	 <u>59,725</u>	 <u>2,999,481</u>
 RETAINED EARNINGS, ending	 <u>\$ 2,691,540</u>	 <u>\$ 45,684</u>	 <u>\$ 2,737,224</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Tax Payment	Sportsplex	Total (Memorandum Only)
Cash Flow From Operating Activities:			
Cash received from customers	\$ 262,311	\$ 334,548	\$ 596,859
Cash payments for goods and services	(70,158)	(331,462)	(401,620)
Cash received from penalties and interest on delinquent taxes	222,226	-	222,226
Cash payments to employees for services/fringe benefits	-	(238,361)	(238,361)
	<u>414,379</u>	<u>(235,275)</u>	<u>179,104</u>
Net Cash Provided By (Used In) Operating Activities			
Cash Flows From Non-capital Financing Activities:			
Local tax levy received	-	398,399	398,399
Payments received (paid) to other funds	(406,200)	35,000	(371,200)
Transfer in (out)	(623,878)	188,500	(435,378)
	<u>(1,030,078)</u>	<u>621,899</u>	<u>(408,179)</u>
Net Cash Provided By Noncapital Financing Activities			
Cash Flows From Capital And Related Financing Activities:			
Acquisition of capital assets	-	(1,968)	(1,968)
Principal paid on bonds	-	(100,000)	(100,000)
Interest paid on bonds	(31,434)	(258,976)	(290,410)
	<u>(31,434)</u>	<u>(360,944)</u>	<u>(392,378)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities			
Cash Flows From Investing Activities:			
Interest on investments	75,875	79	75,954
	<u>75,875</u>	<u>79</u>	<u>75,954</u>
NET INCREASE IN CASH	(571,258)	25,759	(545,499)
CASH AND CASH EQUIVALENTS, beginning of year	1,823,463	120,783	1,944,246
	<u>1,823,463</u>	<u>120,783</u>	<u>1,944,246</u>
CASH AND CASH EQUIVALENTS, ending of year	\$ 1,252,205	\$ 146,542	\$ 1,398,747
	<u>\$ 1,252,205</u>	<u>\$ 146,542</u>	<u>\$ 1,398,747</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**(Continued)**

	<u>Tax Payment</u>	<u>Sportsplex</u>	<u>Total (Memorandum Only)</u>
Reconciliation Of Net Operating Income To Net Cash Provided By Operating Activities:			
Net operating income (loss)	\$ 331,221	\$ (343,544)	\$ (12,323)
Adjustments To Reconcile Net Operating Income (Loss) To Net Cash Provided By Operating Activities:			
Depreciation	-	163,922	163,922
(Increase) decrease in:			
Receivables	83,927	(15,088)	68,839
Prepaid expenses	-	(14,157)	(14,157)
Increase (decrease) in:			
Accounts payable	(2,625)	12,398	9,773
Accrued liabilities	(18,675)	(10,035)	(28,710)
Deferred revenue	20,531	(28,771)	(8,240)
Total adjustments	83,158	108,269	191,427
Net Cash Provided By (Used In) Operating Activities	<u>\$ 414,379</u>	<u>\$ (235,275)</u>	<u>\$ 179,104</u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
DECEMBER 31, 2004**

ASSETS

Cash	<u>\$ 1,050,540</u>
 TOTAL ASSETS	 <u><u>\$ 1,050,540</u></u>

LIABILITIES

Due to other government units	\$ 150,995
Undistributed collections	735,708
Other liabilities	<u>163,837</u>
 TOTAL LIABILITIES	 <u><u>\$ 1,050,540</u></u>

The accompanying notes are an integral part of these statements.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the County.

**DESCRIPTION OF COUNTY OPERATIONS AND FUND TYPES**

The County of was organized in 1871 and covers an area of approximately 576 square miles with the County seat located in Kalkaska, Michigan. The County operates under an elected Board of Commissioners of seven (7) members and provides services, assistance and care to its more than 16,500 residents, primarily from the operations of its General Fund and Special Revenue Funds. The County's services, assistance and care includes the (1) general county departments, boards and commissions; (2) court system administration; (3) law enforcement and corrections; (4) assistance and/or institutional care to the aged, needy, wards of the court and neglected children, public and mental health recipients; (5) libraries, and (6) recreation.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles as applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

**REPORTING ENTITY**

The accompanying financial statements present the only the primary government of the County and entities for which the government is considered to be financially accountable. Discretely presented component units have not been included in the financial presentation.

The Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" and the State of Michigan Department of Treasury established criteria for governmental organizations to be considered to be part of the County for financial reporting purposes. The criteria included oversight responsibility, fiscal dependency and whether the statements would be misleading if data were not included.

The financial statements of certain governmental organizations are not included in the financial statements of the County: (1) Education services which are provided to citizens through the several local school districts that are separate governmental entities. The Transportation Authority is considered a separate reporting entity and therefore not included in this report.

**DISCRETELY PRESENTED COMPONENT UNITS**

The Kalkaska County Road Commission is considered a component unit of the County. It's financial statement is discretely presented in the County combined financial statements as required by accounting principles generally accepted in the United States of America revised under GASB 14. Due to circumstances outside of the control of the primary government, the Road Commission's financial statements have not been presented. Complete financial statements of the Road Commission Component Unit can be obtained directly from the Road Commission office at 1049 Island Lake Rd., Kalkaska, Michigan 49646.

**KALKASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**JOINTLY GOVERNED ORGANIZATIONS**

The North Country Community Mental Health Authority consists of the counties of Otsego, Emmet, Charlevoix, Cheboygan, and Kalkaska. Financial records for this Authority are maintained by the mental health authority and are audited separately from any of the member counties. A copy of a financial statement and audit report would be available at the Authority office located at 1 MacDonald Drive, Suite A, Petoskey, Michigan 49770.

The funding formula for the Community Mental Health operations is in accordance with an agreement approved by all of the member counties and the local contribution was frozen, by statute, at the amount contributed in year 2002. For 2004 Kalkaska County's local match was \$145,611. Their financial statements are not required, under GASB No. 14, to be included in the Kalkaska County report.

The 46<sup>th</sup> Judicial Trial Court has responsibilities for Kalkaska, Crawford, and Otsego Counties. The funding formula is based upon the previous year's caseload. For the year ended December 31, 2004 the funding was as follows:

Crawford County	27%
Kalkaska County	28%
Otsego County	45%

Otsego County is the fiscal agent for the 46<sup>th</sup> Circuit Trial court so the detail expenditures are incurred by and paid by Otsego County. The other two Counties appropriate funds based upon their respective share of the fiscal responsibility.

Kalkaska County appropriated \$828,204 for the 46<sup>th</sup> Circuit Trial court in 2004.

Kalkaska County along with Crawford County have been named defendants in litigation involving a funding dispute with the 46<sup>th</sup> Judicial Trial Court. The dispute arose because the Trial Court wanted certain retirement benefits including pension and health insurance for the judges and their spouses along with the court employees and their spouses. In addition, there is a dispute over the annual budget requests, to fund the court, which must be appropriated by the member counties on an annual basis. Kalkaska and Crawford Counties do not agree with the amount of retirement benefits that the Trial court wants to be made available to their employees. Kalkaska County, along with Crawford County, is vigorously defending this lawsuit. The potential cost to Kalkaska County, should the courts prevail, is unknown as of this date, but the amount could be substantial to the taxpayers of the County. A liability for potential attorney fees has been recorded in the general fund based upon billings through December 31, 2004.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are charged based upon a countywide cost allocation plan, which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of the year for which they are levied, the Delinquent Tax Revolving Fund pays the County for any outstanding taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The government reports the following major governmental funds:

GENERAL FUND This fund is the County's primary general operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

HOUSING FUND This fund provides housing assistance in the form of low or zero interest loans to low income citizens within the county to provide housing or housing repairs.

REVENUE SHARING RESERVE FUND This fund was established by the Michigan Treasury as a means to smooth funding for governmental units. The County has changed the manner of collecting tax, by shifting them forward. These collections are receipted to this fund as a measure to fund future fiscal periods.

The County reports the following major enterprise funds:

SPORTS COMPLEX FUND – This fund is operating an ice arena/swimming pool facility.

DELINQUENT PROPERTY TAX FUND – This fund is used to pay each local governmental unit, including the County General Fund, the respective amount of taxes not collected as of March 1 of each year. Financing is provided by subsequent collection of delinquent property taxes by the County Treasurer.

Additionally, the County reports the following fund types:

SPECIAL REVENUE FUNDS – These funds are used to account for specific revenues derived primarily from specific sources (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

CAPITAL PROJECTS FUNDS – The Capital Projects Funds are used to account for the acquisition or construction of major capital facilities other than those financed by enterprise funds or special assessments.

AGENCY FUNDS – are used to account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidelines.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are interest and penalties on delinquent taxes and charges for services provided. The principal operating revenues of the County's internal service funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**BANK DEPOSITS AND INVESTMENTS** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are state at fair market value.

**RECEIVABLES AND PAYABLES** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**CURRENT PROPERTY TAX LEVY** – The County property tax is levied as of December 1 on the state equalized valuation of property located in the County as of the preceding December 31 and attach an enforceable lien on the property. Although the County's 2004 property taxes are levied and collectable on December 1, 2003, it is the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of County operations. Current property taxes from the December 1 levy, which are received prior to December 31, are normally held in the County's Trust and Agency Fund. It is the County's policy, through its Internal Service 100% Tax Payment Fund, to purchase delinquent real property taxes and special assessments each year to afford 100% collection of the current levy.

The 2003 taxable value of Kalkaska County amounted to \$577,475,730 on which 5.522 mills were levied for County operating purposes and .2465 mills for Commission on Aging operations and .6964 mills for Debt Service operations. In addition, specific taxes are levied under the Industrial Facilities Tax Act and Commercial Forest Reserve Act.

**TAXES RECEIVABLE – DELINQUENT** – The taxes receivable of \$865,637 which are recorded in the Enterprise 100% Tax Payment Fund, consist of the unpaid delinquent real property taxes which were purchased from all of the taxing units in Kalkaska County by the County's 100% Tax Payment Fund.

**INVENTORIES AND PREPAID ITEMS** – Inventories consisting of supplies of \$1,814 and prepaid expenses of \$177,288, are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are recorded at cost which approximates market.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**CAPITAL ASSETS** – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the activities column in the government-wide financial statements as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. These infrastructure assets are the responsibility of the Kalkaska County Road Commission, and they have reported the infrastructure in their statement of net assets. The Road Commission has retroactively capitalized the major infrastructure assets as of December 31, 2003, as permitted by GASB 34.

**PRIMARY GOVERNMENT** – Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 years
Other Infrastructure	8 to 50 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

**DEFERRED REVENUE** – Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

**LONG-TERM OBLIGATIONS** – In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, material bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt used is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

ACCRUED VACATION AND SICK – In accordance with contracts negotiated with the various employee groups employees have a vested right upon termination to receive compensation for accumulated sick and vacation leave under formulas and conditions specified in the contracts.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FUND EQUITY – In the fund financial statements, governmental and business-type funds report reservations of fund balance for amounts that are not are legally restricted for use for a specific purpose.

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

Annual operating budgets are adopted by the County Commission for the General and Special Revenue Funds in accordance with Public Act 621 of 1978.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During the month of July, budget worksheets, which list their last year's budget along with their expenditures for the last six months, are sent to each department. Each department prepares their budget and returns it to the County Controller. The Controller totals and puts all the budgets in order and then turns the budgets over to the Commissioners. Then, the respective committees, which are each made up of three Commissioners, meet with the various department heads to discuss any changes to their particular budget.
- b. Public hearings are conducted at the County Building to obtain taxpayer comments.
- c. Prior to October 31st, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
- d. Budget amendments are made by the County Commission as the need arises during the year.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations lapse at year end.
- g. The original budget was amended during the year in compliance with the County procedures and applicable state laws. The budget to actual expenditures in the financial statements represent the final budgetary expenditures as amended by the County Commission.

The budgets for some funds are administered and amended throughout the year as necessary by separate boards or authorities other than the County Commission.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued**

**B. Excess of expenditures over appropriations**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the County for these budgetary funds were adopted to the activity level.

During the year ended December 31, 2004, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Operating transfer out	\$ 494,137	\$ 494,385	\$ 248

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: CASH AND INVESTMENTS**

The captions on the accompanying balance sheet related to cash and investments are as follows:

	Imprest Cash	Cash/Checking And Savings	Certificates of Deposit	Total
Primary Government				
Governmental Activities	\$ 16,070	\$ 622,899	\$ 654,701	\$ 1,293,670
Business-type Activities	1,960	317,649	1,079,138	1,398,747
Agency Funds		1,019,466	31,074	1,050,540
Total Primary Government	<u>\$ 18,030</u>	<u>\$ 1,960,014</u>	<u>\$ 1,764,913</u>	<u>\$ 3,742,957</u>

Deposits – At year-end, the carrying amount of the County's deposits was \$3,742,957 and the bank balance of \$3,711,221 was classified as to risk as follows:

Insured	\$ 535,273
Uninsured – Uncollateralized	<u>3,175,948</u>
Total	<u>\$ 3,711,221</u>

Investments – Act 217, PA 1982, authorized the County to deposit and invest in the following:

- (a) bonds, securities and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National Credit Union Administration that are eligible to be a depository of surplus money belonging to the State and maintains a principal office or branch office in Michigan.
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- (d) United States government or Federal agency obligation repurchase agreements.
- (e) bankers' acceptance of United States banks.
- (f) mutual funds properly registered with the State of Michigan, composed of investments that are legal for direct investments by local units of government in Michigan.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4: RECEIVABLES/DEFERRED REVENUE**

Receivables as of year-end for the government's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Housing Fund	Revenue Sharing Reserve Fund	Other Governmental Funds	Total
Taxes receivable	\$ 3,435,959		\$ 1,122,838	\$ 142,353	\$ 4,701,150
Accounts receivable	50,116			29,217	79,333
Housing Fund Mortgages		778,458			778,458
Interest	1,048				1,048
Intergovernmental	215,988	10,915		114,372	341,275
	<u>\$ 3,703,111</u>	<u>\$ 789,373</u>	<u>\$ 1,122,838</u>	<u>\$ 285,942</u>	<u>\$ 5,901,264</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
Delinquent Property Taxes	\$ 3,578,312	\$ -	\$ 3,578,312
Housing Fund Mortgages	-	778,458	778,458
Other	-	9,583	9,583
	<u>\$ 3,578,312</u>	<u>\$ 788,041</u>	<u>\$ 4,366,353</u>

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: CAPITAL ASSETS**

A summary of the changes in the capital assets of the primary government follows:

<b>Primary Government</b>	<b>Balance 01/01/04</b>	<b>Increases</b>	<b>Decreases/ Transfers</b>	<b>Balance 12/31/04</b>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 281,327	\$ -	\$ -	\$ 281,327
Total capital assets not being depreciated	281,327	-	-	281,327
Capital assets, being depreciated				
Buildings	6,366,076	20,497	-	6,386,573
Land improvements	209,372		-	209,372
Machinery & equipment	2,342,774	155,679	127,616	2,370,837
Total capital assets being depreciated	8,918,222	176,176	127,616	8,966,782
Less accumulated depreciation for:				
Buildings	3,390,361	172,023	-	3,562,384
Land improvements	118,373	5,128	-	123,501
Machinery & equipment	1,578,577	215,701	107,982	1,686,296
Total accumulated depreciation	5,087,311	392,852	107,982	5,372,181
Total capital assets, being depreciated, net	3,830,911	(216,676)	(19,634)	3,594,601
Governmental activities capital assets, net	\$ 4,112,238	\$ (216,676)	\$ (19,634)	\$ 3,875,928

A summary of the changes in the capital assets of the business-type activities follows:

<b>Sportsplex</b>	<b>Balance 01/01/04</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/04</b>
Business-type activities:				
Capital assets, being depreciated				
Buildings & improvements	\$ 6,609,692	\$ -	\$ -	\$ 6,609,692
Furniture, fixtures & equipment	189,256	1,969	-	191,225
Total capital assets being depreciated	6,798,948	1,969	-	6,800,917
Less accumulated depreciation for:				
Buildings & improvements	560,249	135,664	-	695,913
Machinery & equipment	122,801	28,258	-	151,059
Total accumulated depreciation	683,050	163,922	-	846,972
Business-type activities capital assets, net	\$ 6,115,898	\$ (161,953)	\$ -	\$ 5,953,945

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: CAPITAL ASSETS - continued**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
Judicial	\$ 34,282
General government	224,403
Public Safety	125,642
Recreation and culture	<u>8,525</u>
Total depreciation expense – governmental activities	<u>\$ 392,852</u>
Business-type activities:	
Sportsplex	<u>\$ 163,922</u>

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

Following is a description of the basic types of inter-fund transactions and the related accounting policy:

Transactions for services rendered or facilities provided; these transactions are recorded as revenue in the receiving fund and expenditures in the disbursing fund.

Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them; these transactions are recorded as transfers in and transfers out.

Interfund transactions are not eliminated for financial presentation purposes.

The amounts of inter-fund receivables and payables, and long-term advances are as follows:

Fund	Inter-fund/ Advances Receivable	Fund	Inter-fund Advances Payable
General Fund	\$ 616,822	Sportsplex	\$ 369,322
		County Building Fund	247,500
Tax Payment Fund	601,142	General Fund	601,142
	<u>\$ 1,217,964</u>		<u>\$ 1,217,964</u>

Interfund transfers:

	Operating Transfer In	Operating Transfer Out	Total
General fund	\$ 697,566	\$ 494,385	\$ 203,181
Other governmental funds	305,885	73,688	232,197
Tax payment fund	282,419	906,297	(623,878)
Sportsplex	188,500		188,500
	<u>\$ 1,474,370</u>	<u>\$ 1,474,370</u>	<u>\$ -</u>

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7: LONG-TERM DEBT**

Governmental activities – Following is a summary of information concerning the County's long-term debt:

Outstanding debt description and change in long-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Termination benefits	\$ 111,004	\$ 8,203	\$ -	\$ 119,207

Business-type activities - Following is a summary of information concerning the County's long-term debt:

General obligation debts and other long-term obligations currently outstanding are as follows:

100% Tax Collection fund general obligation notes are issued by the County to purchase delinquent taxes and special assessments excepts taxes on personal property, due and payable to the taxing units in the County.

\$500,000 Series 2004, General Obligation Limited Tax Notes, due June 23, 2005 \$ -

Sports Complex Bonds were issued by the County to provide for acquiring, constructing, furnishing and equipping a new recreational facility/sports complex.

\$6,000,000 1999 General Obligation Unlimited Tax Bonds, due in annual  
Installments of \$100,000 to \$500,000 through November 2, 2020; interest at 4.05%  
To 6.00%, secured by the full faith and credit of the County. \$ 5,600,000

The annual requirements to amortize long-term obligations outstanding as of December 31, 2004 including interest of \$2,385,113 are as follows:

	<u>Principal amount</u>	<u>Interest Amount</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 150,000	\$ 251,175	\$ 401,175
2006	175,000	241,425	416,425
2007	200,000	230,175	430,175
2008	250,000	219,113	469,113
2009	275,000	208,413	483,413
2010 – 2014	1,800,000	835,850	2,635,850
2015 – 2019	2,250,000	387,337	2,637,337
2020	500,000	11,625	511,625
	<u>\$ 5,600,000</u>	<u>\$ 2,385,113</u>	<u>\$ 7,985,113</u>

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7: LONG-TERM DEBT - continued**

The following is a summary of the changes in liabilities reported in the long-term debt of the business-type activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Business-type Activities:					
Bonds payable:					
Tax Payment Fund	\$ -	\$ 500,000	\$ 500,000	\$ -	\$ -
Sportsplex	5,700,000		100,000	5,600,000	150,000
Total bonds payable	<u>\$ 5,700,000</u>	<u>\$ 500,000</u>	<u>\$ 600,000</u>	<u>\$ 5,600,000</u>	<u>\$ 150,000</u>

**NOTE 8: PENSION PLANS**

PRIMARY GOVERNMENT

Plan Description – Kalkaska County participates in a defined benefit retirement plan administered by the Municipal Employee's Retirement System (MERS). The plan covers substantially all full-time employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity that has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, Michigan 48917.

All full time County employees are eligible to participate in the system. Benefits vest after ten years of service. General County employees who retire at or after age 55 with 25 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.25% percent of the member's 5-year final average compensation. The Sheriff Department participating employees and dispatchers who retire with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of the member's 5-year final average compensation or three year average in the case of command office members. The system also provides death and disability benefits which are established by State Statute.

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8: PENSION PLANS - continued**

Participating General County employees are required to contribute 1.0 percent of their annual salary to the system. The county is required to contribute the remaining amounts necessary to fund the Michigan Municipal Employees retirement System using the actuarial basis specified by statute.

Actuarial Accrued Liability – The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.5% per year, depending on age, attributable to seniority/merit and (c) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

**GASB 25 INFORMATION (as of 12/31/04)**

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 2,627,890
Terminated employees not yet receiving benefits	702,044
Non-vested terminated employees	21,815
Current employee:	
Accumulated employee contributions including allocated investment income	441,352
Employer financed	<u>5,664,892</u>
Total actuarial accrued liability	9,457,993
Net Assets Available for Benefits, at actuarial value (Market Value is \$8,203,644)	<u>8,404,345</u>
Unfunded (over funded) actuarial accrued liability	<u><u>\$ 1,053,648</u></u>

**GASB 27 INFORMATION (as of 12/31/04)**

Fiscal year beginning	January 1, 2006
Annual required contribution (ARC)	\$ 368,904
Amortization factor used (under funded liabilities)	0.053632
Amortization factor used (over funded liabilities)	0.119963

**KALKASKA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8: PENSION PLANS - continued**

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Aggregate Accrued Liabilities – Comparative Schedule of Funding Progress

	Fiscal year ended December 31:		
	2004	2003	2002
Annual Pension cost	\$ 342,092	\$ 297,768	\$ 269,260
Actuarial value of assets	8,404,345	7,638,791	6,707,386
Actuarial accrued liability	9,457,993	8,162,754	7,385,634
(Unfunded) / Overfunded AAL	(1,053,648)	(523,963)	(678,248)
Percent of funded AAL	88.9%	94.0%	91.0%
Covered payroll	3,042,302	2,910,906	2,826,033
UAAL as a % of covered payroll	34.6%	18.0%	24.0%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation.

**KALKASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9: POST EMPLOYMENT HEALTH CARE BENEFITS**

PRIMARY GOVERNMENT – In addition to pension benefits described in Note 8 the County employment agreement provides for certain post employment health care coverage. To be eligible an employee must have had 15 years of continuous service prior to retirement and the coverage is effective only from age 60 to 65. At age 65 supplemental coverage is provided at the employee cost. The employee only is covered and the premium is payable at the then current rate for coverage in force for the County at that time.

The Sheriff Department agreement provides that with 25 years continuous service medical coverage in effect at their retirement will be continued. There will be no employee co-pay for this coverage. This coverage will remain in effect until the employee is eligible for Medicare at which time group coverage is available for the Medicare supplement paid for totally by the employee. Three employees were eligible for this coverage during 2004 and costs were approximately \$11,922.

**NOTE 10: RISK MANAGEMENT**

PRIMARY GOVERNMENT - The County is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The county participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverage. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan that authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the authority is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance, and claim review and processing services for all member governments pursuant to its charter.

The government makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the general fund (i.e., the Insurance Fund) using premiums paid into it by other funds of the government. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs. The County is a State pool member and has deductibles that differ for each type of coverage.

Employee Benefits-Commercial Insurance Provider-Workers' Compensation

The County has insurance coverage for workers' compensation provided by an independent insurance company licensed in the State of Michigan.

At December 31, 2004, there were no claims that exceeded insurance coverage. The county had no significant reduction in insurance coverage from previous years.

**KALKASKA COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11: LITIGATION**

In the normal course of its activities, the County is a party to various legal actions and subject to certain asserted claims and assessments. Although actions have been brought, the County has not experienced any additional significant losses or costs. It is the County's opinion that the outcome of any ending actions will not have a material effect on the County's financial position or results of operations.

The County is involved in litigation involving a funding dispute with the 46<sup>th</sup> Judicial Trial court. The Court wants certain benefits for their employees and both Kalkaska County and Crawford County are disputing the level of benefits and the funding on an on-going basis. The potential long-term costs to the county taxpayers could be substantial. The short-term costs are attorney fees which have been recorded as a liability at December 31, 2004.

**NOTE 12: PRIOR PERIOD ADJUSTMENT**

During the year it was determined that the calculation for accrued sick and vacation has been miscalculated. The prior year calculation did not take into account that sick pay is paid out at 50% of its value upon termination and the calculation included sick pay benefits for non-contract employees, where there is not currently a provision to pay sick pay benefits to non-contract employees.

The liability was reduced to \$111,004 from \$231,055 for the year ended December 31, 2003. this change increase net assets for December 31, 2003 by \$120,051.

**REQUIRED SUPPLEMENTARY INFORMATION**

**KALKASKA COUNTY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
- BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 3,310,962	\$ 3,321,812	\$ 3,301,454	\$ (20,358)
Licenses and permits	57,345	60,025	64,030	4,005
Federal grants	225,316	269,316	259,264	(10,052)
State grants	861,687	874,187	878,123	3,936
Contributions from local units				
Charges for services	988,623	1,084,048	1,037,706	(46,342)
Fines and forfeits	4,714	4,714	4,930	216
Interest earned	73,450	73,450	75,119	1,669
Rents	107,760	107,760	108,361	601
Other	104,815	206,315	139,634	(66,681)
<b>TOTAL REVENUES</b>	<b>5,734,672</b>	<b>6,001,627</b>	<b>5,868,621</b>	<b>(133,006)</b>
<b>EXPENDITURES:</b>				
Current:				
Legislative	77,911	184,811	177,308	7,503
Judicial	1,142,288	1,205,305	1,160,307	44,998
General government	1,543,825	1,685,619	1,585,757	99,862
Public safety	2,432,358	2,466,293	2,387,002	79,291
Public works	97,565	101,065	94,961	6,104
Health and welfare	403,801	359,001	351,542	7,459
Other	198,160	203,769	134,931	68,838
<b>TOTAL EXPENDITURES</b>	<b>5,895,908</b>	<b>6,205,863</b>	<b>5,891,808</b>	<b>314,055</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(161,236)</b>	<b>(204,236)</b>	<b>(23,187)</b>	<b>181,049</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	436,373	698,373	697,566	(807)
Operating transfers (out)	(275,137)	(494,137)	(494,385)	(248)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>161,236</b>	<b>204,236</b>	<b>203,181</b>	<b>(1,055)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$</b>	<b>\$</b>	<b>179,994</b>	<b>\$ 179,994</b>
<b>FUND BALANCE, beginning</b>			<b>(160,998)</b>	
<b>FUND BALANCE, ending</b>			<b>\$ 18,996</b>	

**KALKASKA COUNTY  
HOUSING FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
- BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Federal grants	\$ 100,972	\$ 15,000	\$ 11,791	\$ (3,209)
Interest and rents	250	500	400	(100)
Other	30,250	138,500	111,103	(27,397)
TOTAL REVENUES	131,472	154,000	123,294	(30,706)
EXPENDITURES:				
Current:				
Health and welfare	130,806	154,000	152,953	1,047
TOTAL EXPENDITURES	130,806	154,000	152,953	1,047
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 666</u>	<u>\$</u>	(29,659)	<u>\$ (29,659)</u>
FUND BALANCE, beginning			36,585	
FUND BALANCE, ending			<u>\$ 6,926</u>	

**KALKASKA COUNTY**  
**REVENUE SHARING RESERVE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**- BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 1,123,000	\$ 1,123,000	\$ 1,122,838	\$ (162)
TOTAL REVENUES	1,123,000	1,123,000	1,122,838	(162)
EXPENDITURES:				
Current:				
Other	1,123,000	1,123,000	125,671	997,329
TOTAL EXPENDITURES	1,123,000	1,123,000	125,671	997,329
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$</u>	<u>\$</u>	997,167	<u>\$ 997,167</u>
FUND BALANCE, beginning				
FUND BALANCE, ending			<u>\$ 997,167</u>	

**SUPPLEMENTARY DATA SECTION**

**KALKASKA COUNTY**  
**COMBINING BALANCE SHEETS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2004**

Special Revenue Funds

	Bullet Proof Vest Fund	911 Equipment Fund	Parks and Recreation	Log Lake Park	Police Corps	Child Passenger Safety	Friend Of the Court	Animal Control Donation	Extension Strong Family Safe Child
<b>ASSETS</b>									
Cash	\$ 1,219	\$ 819	\$ -	\$ 5,500	\$ 2,585	\$ 3,505	\$ 12,791	\$ 27,798	\$ -
Accounts receivable	-	-	2,173	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	50	-	12,963
Prepaid expenses	-	-	-	100	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,219</b>	<b>\$ 819</b>	<b>\$ 2,173</b>	<b>\$ 5,600</b>	<b>\$ 2,585</b>	<b>\$ 3,505</b>	<b>\$ 12,841</b>	<b>\$ 27,798</b>	<b>\$ 12,963</b>

**LIABILITIES & FUND BALANCE**

<b>Liabilities:</b>									
Accounts payable	\$ -	\$ -	\$ 167	\$ 30	\$ -	\$ -	\$ -	\$ -	\$ 6,403
Checks written in excess of deposits	-	-	1,522	-	-	-	-	-	1,110
Accrued expenses	-	-	-	-	-	-	-	-	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	275	814	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>1,964</b>	<b>844</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,513</b>
<b>Fund Balance:</b>									
Reserved	-	-	-	-	-	-	12,841	-	-
Unreserved	1,219	819	209	4,756	2,585	3,505	-	27,798	5,450
<b>TOTAL FUND BALANCE</b>	<b>1,219</b>	<b>819</b>	<b>209</b>	<b>4,756</b>	<b>2,585</b>	<b>3,505</b>	<b>12,841</b>	<b>27,798</b>	<b>5,450</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 1,219</b>	<b>\$ 819</b>	<b>\$ 2,173</b>	<b>\$ 5,600</b>	<b>\$ 2,585</b>	<b>\$ 3,505</b>	<b>\$ 12,841</b>	<b>\$ 27,798</b>	<b>\$ 12,963</b>

**KALKASKA COUNTY**  
**COMBINING BALANCE SHEETS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2004**

Special Revenue Funds									
	State Domestic Preparedness	Central Purchasing	Emergency Service Homeland Security	Elections	Vehicle Replacement Fund	Computer Fund	Courthouse Preservation	County Equipment	Sheriff Equipment Fund
<b>ASSETS</b>									
Cash	\$ -	\$ -	\$ -	\$ -	\$ 38,269	\$ 21,474	\$ 28,328	\$ 48,592	\$ 29
Accounts receivable	-	-	-	-	1,809	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	7,251	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	6,499	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 6,499</b>	<b>\$ 7,251</b>	<b>\$ -</b>	<b>\$ 40,078</b>	<b>\$ 21,474</b>	<b>\$ 28,328</b>	<b>\$ 48,592</b>	<b>\$ 29</b>
<b>LIABILITIES &amp; FUND BALANCE</b>									
<b>Liabilities:</b>									
Accounts payable	\$ -	\$ 26	\$ 483	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Checks written in excess of deposits	-	1,655	6,768	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-	-	-	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,681</b>	<b>7,251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance:</b>									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved	-	4,818	-	-	40,078	21,474	28,328	48,592	29
<b>TOTAL FUND BALANCE</b>	<b>-</b>	<b>4,818</b>	<b>-</b>	<b>-</b>	<b>40,078</b>	<b>21,474</b>	<b>28,328</b>	<b>48,592</b>	<b>29</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 6,499</b>	<b>\$ 7,251</b>	<b>\$ -</b>	<b>\$ 40,078</b>	<b>\$ 21,474</b>	<b>\$ 28,328</b>	<b>\$ 48,592</b>	<b>\$ 29</b>

**KALKASKA COUNTY**  
**COMBINING BALANCE SHEETS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2004**

Special Revenue Funds

	Building Inspection Fund	Office Furniture	Zoning Training	Copier Replacement/ Repair	Building Improvement	911 Central Dispatch	Tower Repair	Rod Equipment/ Technology	Budget Stabilization
<b>ASSETS</b>									
Cash	\$ 82,999	\$ 40,639	\$ 2,500	\$ 6,631	\$ 43,302	\$ -	\$ 7,200	\$ 8,614	\$ 351,088
Accounts receivable	-	-	-	-	-	21,739	-	80	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	-	736	33,573	-	-	-
Prepaid expenses	4,509	-	-	-	-	4,304	-	7,954	-
<b>TOTAL ASSETS</b>	<b>\$ 87,508</b>	<b>\$ 40,639</b>	<b>\$ 2,500</b>	<b>\$ 6,631</b>	<b>\$ 44,038</b>	<b>\$ 59,616</b>	<b>\$ 7,200</b>	<b>\$ 16,648</b>	<b>\$ 351,088</b>

**LIABILITIES & FUND BALANCE**

<b>Liabilities:</b>									
Accounts payable	\$ 2,042	\$ -	\$ -	\$ 85	\$ -	\$ 5,429	\$ 1,906	\$ 101	\$ -
Checks written on excess of deposits	-	-	-	-	-	36,042	-	-	-
Accrued expenses	3,383	-	-	-	-	4,590	-	-	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>5,425</b>	<b>-</b>	<b>-</b>	<b>85</b>	<b>-</b>	<b>46,061</b>	<b>1,906</b>	<b>101</b>	<b>-</b>
<b>Fund Balance:</b>									
Reserved	82,083	-	-	-	-	13,555	-	-	-
Unreserved	-	40,639	2,500	6,546	44,038	-	5,294	16,547	351,088
<b>TOTAL FUND BALANCE</b>	<b>82,083</b>	<b>40,639</b>	<b>2,500</b>	<b>6,546</b>	<b>44,038</b>	<b>13,555</b>	<b>5,294</b>	<b>16,547</b>	<b>351,088</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 87,508</b>	<b>\$ 40,639</b>	<b>\$ 2,500</b>	<b>\$ 6,631</b>	<b>\$ 44,038</b>	<b>\$ 59,616</b>	<b>\$ 7,200</b>	<b>\$ 16,648</b>	<b>\$ 351,088</b>

**KALKASKA COUNTY**  
**COMBINING BALANCE SHEETS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2004**

Special Revenue Funds

	Equipment - Heating & Cooling	Retiree Retirement	Day Camp Program	Family Nutrition	Recycling Fund	Corrections Officers Training Fund	Community Corrections Plan	Voice Verification	Law Library
<b>ASSETS</b>									
Cash	\$ 20,502	\$ 37,181	\$ -	\$ -	\$ 16,153	\$ 1,578	\$ 3,224	\$ 51,719	\$ 8,206
Accounts receivable	-	-	-	-	1,370	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	-	-	-
Due from other governmental units	-	-	-	889	-	-	5,456	-	-
Prepaid expenses	-	1,115	-	140	986	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 20,502</b>	<b>\$ 38,296</b>	<b>\$ -</b>	<b>\$ 1,029</b>	<b>\$ 18,509</b>	<b>\$ 1,578</b>	<b>\$ 8,680</b>	<b>\$ 51,719</b>	<b>\$ 8,206</b>
<b>LIABILITIES &amp; FUND BALANCE</b>									
<b>Liabilities:</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ 26	\$ 953	\$ -	\$ -	\$ 242	\$ 337
Checks written in excess of deposits	-	-	-	419	-	-	-	-	-
Accrued expenses	-	-	-	119	476	-	-	-	-
Due to other governmental funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>564</b>	<b>1,429</b>	<b>-</b>	<b>-</b>	<b>242</b>	<b>337</b>
<b>Fund Balance:</b>									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved	20,502	38,296	-	465	17,080	1,578	8,680	51,477	7,869
<b>TOTAL FUND BALANCE</b>	<b>20,502</b>	<b>38,296</b>	<b>-</b>	<b>465</b>	<b>17,080</b>	<b>1,578</b>	<b>8,680</b>	<b>51,477</b>	<b>7,869</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 20,502</b>	<b>\$ 38,296</b>	<b>\$ -</b>	<b>\$ 1,029</b>	<b>\$ 18,509</b>	<b>\$ 1,578</b>	<b>\$ 8,680</b>	<b>\$ 51,719</b>	<b>\$ 8,206</b>

**KALKASKA COUNTY**  
**COMBINING BALANCE SHEETS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2004**

Special Revenue Funds

	County Library	Inmate Programs & Services	PBT Fund	RX Fund	Police Hiring Supplement	School Liaison Officer	Family Independence Agency/FIA - Antrim	Child Care Fund	Veterans Relief
<b>ASSETS</b>									
Cash	\$ 78,975	\$ -	\$ 14,307	\$ 2,000	\$ -	\$ -	\$ 66,227	\$ 1,692	\$ 1,420
Accounts receivable	-	1,980	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due from State	-	-	-	-	-	-	8,813	29,830	-
Due from other governmental units	-	-	-	-	2,835	-	-	2,965	-
Prepaid expenses	3,910	-	-	-	1,408	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 82,885</b>	<b>\$ 1,980</b>	<b>\$ 14,307</b>	<b>\$ 2,000</b>	<b>\$ 4,243</b>	<b>\$ -</b>	<b>\$ 75,040</b>	<b>\$ 34,487</b>	<b>\$ 1,420</b>
<b>LIABILITIES &amp; FUND BALANCE</b>									
<b>Liabilities:</b>									
Accounts payable	\$ 3,263	\$ -	\$ -	\$ -	\$ 825	\$ -	\$ -	\$ 30,738	\$ -
Checks written in excess of deposits	-	1,500	-	-	2,346	-	-	-	-
Accrued expenses	2,461	-	-	-	1,059	-	-	-	-
Due to other governmental funds	-	-	-	-	-	-	42,000	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>5,724</b>	<b>1,500</b>	<b>-</b>	<b>-</b>	<b>4,230</b>	<b>-</b>	<b>42,000</b>	<b>30,738</b>	<b>-</b>
<b>Fund Balance:</b>									
Reserved	77,161	-	-	-	-	-	-	-	-
Unreserved	-	480	14,307	2,000	13	-	33,040	3,749	1,420
<b>TOTAL FUND BALANCE</b>	<b>77,161</b>	<b>480</b>	<b>14,307</b>	<b>2,000</b>	<b>13</b>	<b>-</b>	<b>33,040</b>	<b>3,749</b>	<b>1,420</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 82,885</b>	<b>\$ 1,980</b>	<b>\$ 14,307</b>	<b>\$ 2,000</b>	<b>\$ 4,243</b>	<b>\$ -</b>	<b>\$ 75,040</b>	<b>\$ 34,487</b>	<b>\$ 1,420</b>

**KALKASKA COUNTY**  
**COMBINING BALANCE SHEETS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2004**

	Special Revenue Funds		Capital Project Funds				Total Nonmajor Funds
	Veterans Trust	Commission On Aging	Total	County Building Fund	County Library Building Fund	County Building Authority	Total
<b>ASSETS</b>							
Cash	\$ 353	\$ 94,287	\$ 1,131,706	\$ 12,453	\$ 99,331	\$ 4,199	\$ 1,247,689
Accounts receivable	-	142,353	171,504	-	66	-	171,570
Due from other funds	-	-	-	-	-	-	-
Due from State	-	7,092	52,986	-	-	-	52,986
Due from other governmental units	-	-	59,467	1,919	-	-	61,386
Prepaid expenses	-	-	30,925	-	-	-	30,925
<b>TOTAL ASSETS</b>	<b>\$ 353</b>	<b>\$ 243,732</b>	<b>\$ 1,446,588</b>	<b>\$ 14,372</b>	<b>\$ 99,397</b>	<b>\$ 4,199</b>	<b>\$ 1,564,556</b>
<b>LIABILITIES &amp; FUND BALANCE</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 88	\$ 11,430	\$ 64,574	\$ -	\$ -	\$ -	\$ 64,574
Checks written in excess of deposits	-	-	51,362	-	-	-	51,362
Accrued expenses	-	-	12,088	-	-	-	12,088
Due to other funds	-	-	-	247,500	-	-	247,500
Due to other governmental funds	-	-	42,000	-	-	-	42,000
Deferred revenue	-	142,348	143,437	-	-	-	143,437
<b>TOTAL LIABILITIES</b>	<b>88</b>	<b>153,778</b>	<b>313,461</b>	<b>247,500</b>	<b>-</b>	<b>-</b>	<b>560,961</b>
<b>Fund Balance:</b>							
Reserved	-	89,954	275,594	-	-	-	275,594
Unreserved	265	-	857,533	(233,128)	99,397	4,199	728,001
<b>TOTAL FUND BALANCE</b>	<b>265</b>	<b>89,954</b>	<b>1,133,127</b>	<b>(233,128)</b>	<b>99,397</b>	<b>-</b>	<b>1,003,595</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 353</b>	<b>\$ 243,732</b>	<b>\$ 1,446,588</b>	<b>\$ 14,372</b>	<b>\$ 99,397</b>	<b>\$ 4,199</b>	<b>\$ 1,564,556</b>

KALKASKA COUNTY

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

Special Revenue Funds

	Bullet Proof Vest Fund	911 Equipment Fund	Parks and Recreation	Log Lake Park	Police Corps	Child Passenger Safety	Friend Of the Court	Animal Control Donation	Extension Strong Family Safe Child
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	-	79,783
Charges for services	-	-	2,695	10	-	-	4,495	-	-
Fines & forfeits	-	-	-	-	-	-	-	-	-
Interest & rents	-	-	16,994	20,287	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	19,689	20,297	-	-	4,495	5,045	79,783
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	10,428	-	-
Public safety	-	-	-	-	-	-	-	-	-
Health & welfare	-	-	-	-	-	-	-	-	77,657
Recreational & cultural	-	-	28,781	15,541	-	-	-	-	-
TOTAL EXPENDITURES	-	-	28,781	15,541	-	-	10,428	-	77,657
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(9,092)	4,756	-	-	(5,933)	5,045	2,126
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	9,300	-	-	-	15,000	-	-
Operating transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	9,300	-	-	-	15,000	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	208	4,756	-	-	9,067	5,045	2,126
FUND BALANCE, beginning	1,219	819	1	-	2,585	3,505	3,774	22,753	3,324
FUND BALANCE, ending	\$ 1,219	\$ 819	\$ 209	\$ 4,756	\$ 2,585	\$ 3,505	\$ 12,841	\$ 27,798	\$ 5,450

KALKASKA COUNTY

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

Special Revenue Funds									
	State Domestic Preparedness	Central Purchasing	Emergency Service Homeland Security	Elections	Vehicle Replacement Fund	Computer Fund	Courthouse Preservation	County Equipment	Sheriff Equipment Fund
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	37,680	-	17,749	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	-	-
Other governmental revenue	-	-	-	-	-	-	-	-	-
Charges for services	-	13,278	-	-	-	-	-	-	-
Fines & forfeits	-	-	-	-	-	-	-	-	-
Interest & rents	-	-	-	-	-	-	34,007	-	-
Other	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	37,680	13,278	17,749	-	16,502	50	-	-	-
					16,502	50	34,007	-	-
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General government	-	13,795	-	-	-	-	8,182	-	-
Public safety	37,680	-	17,749	-	11,679	9,493	-	-	-
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	37,680	13,795	17,749	-	11,679	9,493	8,182	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(517)	-	-	4,823	(9,443)	25,825	-	-
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	-	22,000	20,000	-	-	-
Operating transfers (out)	-	(1,890)	-	(18,000)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	(1,890)	-	(18,000)	22,000	20,000	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	(2,407)	-	(18,000)	26,823	10,557	25,825	-	-
FUND BALANCE, beginning	-	7,225	-	18,000	13,255	10,917	2,503	48,592	29
FUND BALANCE, ending	\$ -	\$ 4,818	\$ -	\$ -	\$ 40,078	\$ 21,474	\$ 28,328	\$ 48,592	\$ 29

KALKASKA COUNTY

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

Special Revenue Funds

	Building Inspection Fund	Office Furniture	Zoning Training	Copier Replacement/ Repair	Building Improvement	911 Central Dispatch	Tower Repair	Rod Equipment/ Technology	Budget Stabilization
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	330,371	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	-	-
Other governmental revenue	-	-	-	-	6,224	84,581	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines & forfeits	-	-	-	-	-	308,534	-	-	-
Interest & rents	-	-	-	-	-	-	-	-	-
Other	-	-	2,500	-	12,448	1,193	3,600	-	-
TOTAL REVENUES	330,371	-	2,500	-	18,672	394,308	3,600	41,894	-
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General government	-	-	-	9,234	23,655	-	-	40,531	-
Public safety	286,103	-	-	-	-	433,233	9,406	-	-
Health & welfare	-	-	-	-	-	-	-	-	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	286,103	-	-	9,234	23,655	433,233	9,406	40,531	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	44,268	-	2,500	(9,234)	(4,983)	(38,925)	(5,806)	1,363	-
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	15,000	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-	15,000	-	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	44,268	-	2,500	5,766	(4,983)	(38,925)	(5,806)	1,363	-
FUND BALANCE, beginning	37,815	40,639	-	780	49,021	52,480	11,100	15,184	351,088
FUND BALANCE, ending	\$ 82,083	\$ 40,639	\$ 2,500	\$ 6,546	\$ 44,038	\$ 13,555	\$ 5,294	\$ 16,547	\$ 351,088

KALKASKA COUNTY  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

Special Revenue Funds

	Equipment - Heating & Cooling	Retiree Retirement	Day Camp Program	Family Nutrition	Recycling Fund	Corrections Officers Training Fund	Community Corrections Plan	Voice Verification	Law Library
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-	-	-
Other governmental revenue	-	-	-	5,157	-	-	37,555	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines & forfeits	-	-	-	-	20,420	1,578	-	29,683	-
Interest & rents	-	-	-	-	-	-	-	-	2,300
Other	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	5,157	20,420	1,578	37,555	29,683	2,300
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	8,255
General government	1,241	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Health & welfare	-	12,078	-	4,984	44,539	-	70	3,382	-
Recreational & cultural	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,241	12,078	-	4,984	44,539	-	70	3,382	8,255
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,241)	(12,078)	-	173	(24,119)	1,578	37,485	26,301	(5,955)
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	25,000	-	-	33,562	-	-	-	5,000
Operating transfers (out)	-	-	-	-	-	-	(36,298)	(10,000)	-
TOTAL OTHER FINANCING SOURCES	-	25,000	-	-	33,562	-	(36,298)	(10,000)	5,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,241)	12,922	-	173	9,443	1,578	1,187	16,301	(955)
FUND BALANCE, beginning	21,743	25,374	-	292	7,637	-	7,493	35,176	8,824
FUND BALANCE, ending	\$ 20,502	\$ 38,296	\$ -	\$ 465	\$ 17,080	\$ 1,578	\$ 8,680	\$ 51,477	\$ 7,869

KALKASKA COUNTY

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

Special Revenue Funds

	County Library	Inmate Programs & Services	PBT Fund	RX Fund	Police Hiring Supplement	School Liaison Officer	Family Independence Agency/FIA - Antrim	Child Care Fund	Veterans Relief
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	14,898	-
Slate grants	18,642	-	-	-	-	-	212,391	177,605	-
Other governmental revenue	-	-	-	-	88,126	16,800	-	56,100	-
Charges for services	12,847	20,922	4,442	-	-	-	-	-	-
Fines & forfeits	143,180	-	-	-	-	-	-	-	-
Interest & rents	1,764	-	-	-	-	-	-	-	-
Other	807	-	-	-	-	-	-	-	2,000
TOTAL REVENUES	177,240	20,922	4,442	-	88,126	16,800	212,391	248,603	2,000
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-	-
Public safety	-	-	1,169	-	120,114	32,225	-	-	-
Health & welfare	-	16,119	-	18,085	-	-	211,673	356,278	637
Recreational & cultural	231,114	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	231,114	16,119	1,169	18,085	120,114	32,225	211,673	356,278	637
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(53,874)	4,803	3,273	(18,085)	(31,988)	(15,425)	718	(107,675)	1,363
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	-	17,098	32,000	15,425	-	96,500	-
Operating transfers (out)	-	(7,500)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	(7,500)	-	17,098	32,000	15,425	-	96,500	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(53,874)	(2,697)	3,273	(987)	12	-	718	(11,175)	1,363
FUND BALANCE, beginning	131,035	3,177	11,034	2,987	1	-	32,322	14,924	57
FUND BALANCE, ending	\$ 77,161	\$ 480	\$ 14,307	\$ 2,000	\$ 13	\$ -	\$ 33,040	\$ 3,749	\$ 1,420

KALKASKA COUNTY  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Special Revenue Funds				Capital Project Funds				Total Nonmajor Funds
	Veterans Trust	Commission On Aging	Total	County Building Fund	County Library Building Fund	County Building Authority	Total		
REVENUES:									
Taxes	\$ -	\$ 140,758	\$ 140,758	\$ -	\$ -	\$ -	\$ -	\$ 140,758	
License and permits	-	-	330,371	-	-	-	-	330,371	
Federal grants	-	82,358	152,685	-	-	-	-	152,685	
State grants	-	54,000	670,781	18,585	-	-	18,585	689,366	
Other governmental revenue	2,306	-	172,984	-	-	-	-	172,984	
Charges for services	-	94,698	509,107	-	-	-	-	509,107	
Fines & forfeits	-	-	179,487	-	-	-	-	179,487	
Interest & rents	-	-	56,286	-	1,204	16	1,220	57,506	
Other	-	111,355	180,153	23,024	-	-	23,024	203,177	
TOTAL REVENUES	2,306	483,169	2,392,612	41,609	1,204	16	42,829	2,435,441	
EXPENDITURES:									
Judicial	-	-	26,865	-	-	-	-	26,865	
General government	-	-	97,949	18,900	-	-	18,900	116,849	
Public safety	-	-	1,030,467	-	-	-	-	1,030,467	
Health & welfare	2,588	518,279	1,185,260	-	-	-	-	1,185,260	
Recreational & cultural	-	-	275,436	-	-	-	-	275,436	
TOTAL EXPENDITURES	2,588	518,279	2,615,977	18,900	-	-	18,900	2,634,877	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(282)	(35,110)	(223,365)	22,709	1,204	16	23,929	(199,436)	
OTHER FINANCING SOURCES (USES):									
Operating transfers in	-	-	305,885	-	-	-	-	305,885	
Operating transfers (out)	-	-	(73,688)	-	-	-	-	(73,688)	
TOTAL OTHER FINANCING SOURCES	-	-	232,197	-	-	-	-	232,197	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(282)	(35,110)	8,832	22,709	1,204	16	23,929	32,761	
FUND BALANCE, beginning	547	125,064	1,124,295	(255,837)	98,193	4,183	(153,461)	970,834	
FUND BALANCE, ending	\$ 265	\$ 89,954	\$ 1,133,127	\$ (233,128)	\$ 99,397	\$ 4,199	\$ (129,532)	\$ 1,003,595	



Certified Public Accountants

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Required by  
*Government Auditing Standards***

Honorable Chairman and Members  
of the Board of Commissioners  
Kalkaska County  
Kalkaska, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kalkaska County, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements of the County's primary government as listed in the table of contents and have issued our report thereon dated May 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Kalkaska County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Kalkaska County in a separate letter dated May 6, 2005.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kalkaska County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of the Kalkaska County in a separate letter dated May 6, 2005.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management and Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*HARRIS GROUP*

May 6, 2005



Certified Public Accountants

May 6, 2005

Honorable Chairman and Members  
Of the Board of Commissioners  
Kalkaska County  
Kalkaska, MI

In planning and performing our audit of the primary governments financial statements of Kalkaska County for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the primary governments financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Kalkaska County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the primary governments financial statements.

#### Capital Asset Capitalization

The County has a capitalization policy of \$100 for capital assets. The State of Michigan recommends a capitalization level of \$5,000. We recommend that County consider raising the capitalization policy to \$1,000. This will reduce the time necessary to accumulate this information, while still having capitalized over 90% of the County's capital assets.

Also noted, certain capital assets of non-centralized departments were not initially included in the County's capital asset records. The controls over reporting capital assets need to be updated insure capitalization of necessary assets.

#### Construction Codes Department

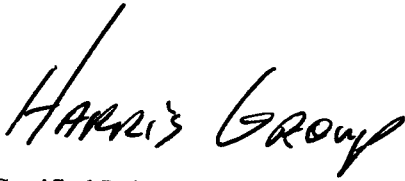
During our test of transactions in the Building department we noted that certain construction permits were being miscalculated. The building permits for homes over \$100,000 were consistently incorrect. The department has a calculated fee schedule for building permits up to \$100,000, but permits issued over \$100,000 need to be manually calculated. Most of the permits tested were incorrect due to an error in the staffs' calculation. We recommend expanding the fee schedule for permits up to \$200,000. This should cover 85% of building permits issued in Kalkaska County.

Sheriff's Department

Due to the turnover in the Sheriffs' department, certain accounting records have not been kept up to date. The inmate trust accounting records have not been reconciled with the bank statement. Items purchased for the inmate commissary are being purchased from the inmate trust bank account. There is a separate bank account for the inmate commissary and it should be used to pay for the purchases.

During our meetings with the Sheriffs department, we recommended they work with the County controller to help reconcile the inmate accounting information.

This report is intended solely for the information and use of the Board of Commissioners, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "HARRIS GROUP". The signature is written in a cursive, stylized font.

Certified Public Accountants